

FOR OFFICIAL USE ONLY

JPRS L/10027

5 October 1981

Near East/North Africa Report

(FOUO 34/81)



FOREIGN BROADCAST INFORMATION SERVICE

FOR OFFICIAL USE ONLY

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

COPYRIGHT LAWS AND REGULATIONS GOVERNING OWNERSHIP OF
MATERIALS REPRODUCED HEREIN REQUIRE THAT DISSEMINATION
OF THIS PUBLICATION BE RESTRICTED FOR OFFICIAL USE ONLY.

FOR OFFICIAL USE ONLY

JPRS L/10027

5 October 1981

NEAR EAST/NORTH AFRICA REPORT

(FOUO 34/81)

CONTENTS

IRAN

Italian Magazine Interviews Mojahedin's Rajavi (Mas'ud Rajavi Interview; EUROPEO, 14 Sep 81)	1
Milan Paper Interviews Bani-Sadr on Iran's Future (Abolhasan Bani-Sadr Interview; CORRIERE DELLA SERA, 18 Sep 81)	3

LIBYA

Briefs	
Municipal Sewage Systems	7
New Supermarkets	7
Economic Ties With FRG	7

SUDAN

New Budget Discussed; Surplus Predicted (MARCHES TROPICAUX ET MEDITERRANEENS, 14 Aug 81)	8
Petroleum Outlook Reviewed (MARCHES TROPICAUX ET MEDITERRANEENS, 21 Aug 81)	10
Briefs	
Investment Projects Planned	12
Peanut Processing Plant	12
New Fertilizer Plant	12
Record Sorghum Harvest	12
Cotton for Medical Purposes	13

UNITED ARAB EMIRATES

Latest Five-Year Plan Discussed (AL-WATAN AL-'ARABI, 17-23 Jul 81)	14
---	----

- a -

[III - NE & A - 121 FOUO]

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

IRAN

ITALIAN MAGAZINE INTERVIEWS MOJAHEDIN'S RAJAVI

PM210841 Milan EUROPEO in Italian 14 Sep 81 pp 30-31

[Interview with Iranian Mojahedin Leader Mas'ud Rajavi by Langranco Vaccari:
"Until Last Mullah Falls"--date and place not specified]

[Excerpts] "We are not terrorists. Terrorism is practised by Khomeyni, that bloodthirsty old man who believes that he is God on earth and who has suppressed all freedoms in Iran. Our activity is resistance: If you know of any other way of opposing a dictatorship let us know; we will be very grateful to you."

"For the first 2 and 1/2 years of the revolution," Rajavi said, "we acted like Jesus Christ and turned the other cheek. Now, however, the time has come to resist the dictatorship with every available means." The resistance has a date of birth; 20 June this year. On that date the Mojahedin organized a major demonstration in Tehran in support of President Bani-Sadr, who was being subjected to heavy attacks by the ayatollahs and threatened with trial by parliament. The first (and last) democratically elected president of the Iranian Islamic Republic lost his post 48 hours later. But that very meeting laid the foundations for the only credible alternative to the Shi'ite clergy's power.

The alliance between Bani-Sadr and Rajavi is ratified in a letter. "The unity of action between ourselves and the president is not within the framework of a single party, but within an alignment headed by the National Resistance Council," the Mojahedin leader explained. The front has also been joined by Adolrahman Qasemlu, leader of the Kurdish Democratic Party, which controls Iranian territory along the border with Turkey and Iraq. The Kurds have a radio transmitter from which the Mojahedin broadcast, too.

Another group close to the Mojahedin is a sector of the Shi'ite clergy, the one which followed Ayatollah Taleqani, who died of a heart attack in September 1979 a few months after the victory of the revolution. After Khomeyni, Taleqani enjoyed the greatest popularity among the Iranian masses. A strong opponent of Beheshti and of the mullahs who wanted to monopolize power, he was the Mojahedin's great protector.

The ayatollah's death marked the progressive ostracization of Rajavi's organization which, together with the Feda'iyān-3 Khalq (Marxists-Leninists), had been the major protagonist of armed opposition to Reza Pahlavi. The "Hezbollahs" (extremists)

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

began to attack their headquarters until in June 1980 the Mojahedin's political activity was banned and their newspaper closed down. It was not difficult to repress them. Rajavi admitted: "We had no working mass organization and our following was relatively small."

The Mojahedin also paid for the absence of any major political leader. This also explains the alliance with Bani-Sadr, the only popular reference point for the opposition to the Khomeyni regime. The ideological outlook invoked by both Rajavi and Bani-Sadr is rather vague, so as not to prompt conflicts: A mixture of Islam, socialism and third worldism. The only clear objective is that they both want to establish in Iran "a regime that will observe democracy and human rights."

"The agreements between us and the president are clear," Rajavi said. He holds the post of prime minister in the National Resistance Council while Bani-Sadr has maintained the title conferred on him in February 1980 by 11 million Iranians. "We do not want to govern on our own and believe that whoever has opposed the Khomeyni dictatorship will not tomorrow refuse the will of the majority. When we signed our agreement we said to each other: 'Neither you nor I is the guide. Neither you nor I is innocent. Neither you nor I is above all criticism'."

COPYRIGHT: [1981] Rizzoli Editoriale.

CSO: 4628/4

FOR OFFICIAL USE ONLY

IRAN

MILAN PAPER INTERVIEWS BANI-SADR ON IRAN'S FUTURE

PM220843 Milan CORRIERE DELLA SERA in Italian 18 Sep 81 p 3

[Interview with former Iranian President Abolhasan Bani-Sadr by Renato Ferraro at Auvers-sur-oise; undated: "Khomeyni Will Fall; I will Return To Iran"]

[Excerpt] Paris--"The Khomeyni regime cannot survive long," Bani-Sadr said, "but it is difficult to specify when it will collapse."

[Question] Some 6 weeks ago, just after your arrival in Paris, you told CORRIERE DELLA SERA that you could not yet explain the real reasons for your flight from Iran. "You will understand soon," you said. Can you reveal these reasons to us now?

[Answer] No, it is too early.

[Question] When do you expect to return home, or at least at what stage in the struggle?

[Answer] I do not yet know: I will return when my presence in Persia will be most useful.

[Question] What control do you exercise over the current guerrilla fighting and over the terrorist attacks that hit the regime every day?

[Answer] First, it is not terrorism, but a liberation struggle and second, I exert absolutely no control. It is Khomeyni who controls the guerrilla campaign: it originated as a reaction against repression, the summary trials and the execution of children guilty only of distributing leaflets. The ayatollah can arrest the guerrilla fighters, just as he prompted their action, as long as he observes the democratic rules that he himself declared during his weeks in exile in Paris.

[Question] Will further killings of religious leaders suffice to defeat the extremists or can Khomeyni replace the casualties?

[Answer] The members of the government already killed were incompetents and have been replaced by individuals equally incapable of governing the nation. Khomeyni will find no shortage of impostors: There are plenty of them among his clergy. However, the attacks show the people that the opposition is strong and well

3
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

organized and that it has infiltrated everywhere. This is sufficient to dissuade many people from embracing Khomeyni's cause and to give courage to our sympathizers. The demonstrations against the new dictatorship are multiplying throughout Iran and it is not only the Mojahedin that are taking part in them.

[Question] If the attacks are not enough to bring Khomeyni down what will cause his collapse?

[Answer] We are counting on the spread of popular protests and the collapse of the economy. Inflation has topped 50 percent, unemployment is effectively total, because Persia produces nothing, and the state's coffers are empty. Hitherto the extremists stifled dissatisfaction through a policy of subsidies, salaries paid to idle workers and useless bureaucrats and vast recruitment into the public administration. Thus the state deficit has grown: when the shah was overthrown the deficit had reached \$4 billion; this year it is \$18 billion.

The government has had to spend its currency reserves, but they are running out. To deal with the situation the extremists planned to export 2.5 million barrels of oil a day, but instead in the first 4 months of 1981 they sold only 700,000-800,000 [a day], while the present figure is only barely 1 million. When the people no longer have enough to satisfy their hunger Khomeyni will fall.

[Question] The economic picture which you draw seems to doom the clerical dictatorship to an imminent end, but this analysis and these forecasts have already been made and events have disproved them. The extremists have managed to create a "hidden" economy and policy, thus surviving the economic, social and institutional decay, not to mention the uprisings in Kordestan and other provinces and the war with Iraq. Despite all this, they can still mobilize the crowds.

[Answer] Lebanon too still exists after so many years of civil war. It is a matter of seeing whether the Persian people will accept a future of poverty, bloodshed and repression. I do not believe so: Khomeyni can no longer bring millions of people into the streets of Tehran. He can only mobilize a few hundred thousand of them. Only about 15 percent of the Persian population still obey the ayatollah.

[Question] Could the outcome of the war with Iraq be decisive?

[Answer] Neither country can win the conflict or end it with a negotiated solution. Both Saddam Husayn and Khomeyni need a success and both have motives for keeping the troops on the border, far from their capitals.

[Question] According to some reports Iran is receiving military aid from Israel. Are you in a position to confirm or deny this?

[Answer] It is true, but this aid is not decisive: it is sufficient only to prolong the war of attrition, in accordance with U.S. plans.

[Question] U.S. plans?

FOR OFFICIAL USE ONLY

[Answer] Sure. Reagan nurtures foreign and domestic conflicts in expectation that the extremists and leftwing forces will eliminate each other. When Persia is exhausted the Americans will intervene to facilitate a Bonapartist solution, so as to impose on us an Islamic dictatorship like Pakistan's or a military one like Turkey's, but in any case a pro-Western one. Washington cannot tolerate democracy in any country bordering on the USSR. It maintains that only dependent, and therefore illiberal, countries can guarantee the West's strategic interests.

[Question] Is there not a danger of the USSR taking advantage of the anarchy in Iran to occupy its northern regions?

[Answer] I do not believe so. A world war would break out.

[Question] Might the Persian military attempt a coup?

[Answer] They are hostile toward the regime, but as long as they are delayed at the front they can do nothing.

[Question] Is the entire clergy with Khomeyni?

[Answer] No, the iman has many opponents even among the major ayatollahs, the ones with the largest popular following, but they lack the courage and perhaps the ability to oppose the repression.

[Question] That shows that Khomeyni is strong. What are liberals such as Bazargan and Qotbzadeh doing?

[Answer] They remain silent; they can do nothing else. They would be eliminated at the first protest.

[Question] What about the powerful traders of the bazaar?

[Answer] They are becoming wealthy because they control foreign trade in a country that must import everything.

[Question] In other words, for the time being virtually only the Mojahedin belong to the National Resistance Council which you head. How do you define the ideology and plans of this movement, which you have condemned in the past?

[Answer] I have publicly admitted that I misinterpreted their ideology. I was afraid that they were tainted by Marxist materialism. Instead they reject the dialectical method and are real Muslims inspired by the unitary Towhidi philosophy, which does not recognize the classes and the class struggle. Their program, like mine, can be summed up as follows: National independence, nonalignment, democracy based on the "councils" (the Islamic grassroots organizations), a self-managed economy at the workers' service, the liberation of the oppressed in Iran and throughout the world, the struggle against the westernization of Persian culture and the creation of the Muslim "new man."

FOR OFFICIAL USE ONLY

[Question] It is clear that the Islamic left, on its own, cannot guarantee a stable government alternative. What other forces and interests can rally round the Mojahedin, not only during the anti-Khomeyni struggle but also subsequently, during the reconstruction phase? It does not seem that the Bazargan-style liberal conservatives or the Marxists or the technocrats could follow you.

[Answer] We Muslims do not reason in terms of class and interests or in exclusively political terms, but rather in terms of the fundamental unity of society as a reflection of the oneness of God. We are counting on the support of all democrats, whether Muslims or nonbelievers, of clerics and laymen, to save the country from disaster.

COPYRIGHT: [1981] Editoriale "Corriere della Sera" s.a.s.

CSO: 4628/5

FOR OFFICIAL USE ONLY

LIBYA

BRIEFS

MUNICIPAL SEWAGE SYSTEMS--Tripoli's secretariat for light industry will be accepting bids up to 15 October 1981 for the construction of sewer mains in several municipalities. Specifications can be obtained in Paris through the CFCE [Council of Commercial Federations of Europe] (Te. 505-37-86). [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865 7 Aug 81 p 2047] [COPYRIGHT: Rene Moreux et Cie Paris 1981] 9516

NEW SUPERMARKETS--New retail marketing establishments are continuing to open in Libya, in accordance with the distribution policy of the authorities. For example, on 30 June, at Ain Zara, the "First Flash" supermarket was officially opened, in the presence of the Tunisian minister for economic affairs, Mr El Azram, who was visiting Libya. This supermarket covers a total of 2,050 square meters and carries the most diverse products, from food products to household electrical appliances. Also, the same day, a new market was opened in Agadebia, in the Mrada region, where the National Market Company has recently built eight of them. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1864 31 Jul 81 p 1990] [COPYRIGHT: Rene Moreux et Cie Paris 1981] 9516

ECONOMIC TIES WITH FRG--Libya has asked West Germany to contribute to the training of specialists in all fields of economics. The question was discussed 7 July in Bonn by a Libyan Government delegation received at the West German economic affairs ministry. The "number two" of the Libyan regime, 'Abd-al-Salam Jallud, had arrived the previous day for a two-day private visit to Bonn. The two sides also studied the possibility of increased cooperation between the industries of the two countries. On the other hand, no progress was made concerning a new convocation of the German-Libyan joint economic commission, which should have been held last March. It was postponed at Libya's request. Libya is the FRG's second largest oil supplier. Trade between the two countries favors Libya to the tune of about \$2 billion. Maj Jallud, who had two long talks with the West German minister of foreign affairs, Hans-Dietrich Genscher, during his stay in Bonn, had been in the German capital in 1972 on an official visit. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865 7 Aug 81 p 2074] [COPYRIGHT: Rene Moreux et Cie Paris 1981] 9516

CSO: 4519/45

7
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

SUDAN

NEW BUDGET DISCUSSED; SURPLUS PREDICTED

Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1866, 14 Aug 81 p 2103

[Article: "Sudan's 1981-1982 Budget Is In Surplus"]

[Text] The Republic of Sudan's projected 1981-1982 budget has been set at 1.731 million Sudanese pounds in estimated receipts (operating funds) and 1.568 million in estimated expenditures which includes 1.042 million in operating expenditures, 476 million in development expenditures and 50 million in acquisitions of holdings and investments. This budget compares with the two previous ones as follows: (figures in millions of Sudanese pounds)

	1979-1980	1980-1981	1981-1982
Operating Funds	<u>912</u>	<u>1,005.6</u>	<u>1,731</u>
Operating expenditures	820.3	942.6	1,042
Development budget	285	329.9	476
Acquisitions of holdings and investments	20	75	50
Total Expenditures	<u>1,125.3</u>	<u>1,347.5</u>	<u>1,568</u>
Gross budget surplus or deficit	-213.3	-342	+163
Borrowing from the banking system	120	132	-
External financing	93.3	210	-

Operating funds show a marked increase by comparison to the previous period (up 72 percent in current money). This situation is due to new receipts being created.

Total expenditures are growing at a much more modest rate (16 percent in current money), and that total represents, taking in account inflation on the order of 50 percent, a reduction of 22 percent.

For the first time in many years the budget projects a gross surplus. This policy fits in with the government's anti-inflation concerns and the IMF's [International Monetary Fund's] recommendations.

FOR OFFICIAL USE ONLY

Except for some new measures, the 1981-1982 budget is a logical follow-on to the preceding year's budget. The basic concerns of the Sudanese Government indeed still remain the determination to curb inflation and the continuation of the program of economic stabilization and financial reform instituted in September 1979.

The struggle against inflation is being carried out via: a reduction in government expenditures; a budget with an outstanding balance on the plus side; a reduction in customs duties on certain ordinary consumer goods; honest pricing in order to check an expanding black market; an increase in direct taxation; the elimination of public sector monopolies in production and importation; and the encouragement of savings by the establishment of Treasury bills.

On the other hand, the government has "deregulated" credit for small producers to a certain extent. Through specialized banks (the Industrial Bank, the Real Estate Bank, and the Cooperative Bank) the Public Revenue Department will guarantee up to 80 percent of loans requested by small producers.

The continuation of the program of economic stabilization and financial reform is being carried out by consolidating the unofficial exchange market, liberalizing external commerce, and reviving large projects before launching new ones.

Regarding the development budget, the breakdown of that item is a good illustration of the government's priorities: 22 percent is going to agriculture, 25 percent to energy, 17 percent to transportation infrastructure, 14 percent to regional development, 9 percent to social services, and only 7 percent to the industrial sector (6 percent does not have a finalized allocation).

COPYRIGHT: Rene Moreux et Cie Paris 1981.

9631

CSO: 4519/47

FOR OFFICIAL USE ONLY

SUDAN

PETROLEUM OUTLOOK REVIEWED

Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1867, 21 Aug 81 p 2157

[Text] Sudan's Ministry of Energy has let it be known that the country will reach oil self-sufficiency in 1983. But this forecast is not unanimously agreed with in Khartoum.

The Chevron company, for which the development of the Unity field still poses numerous technical and financial problems, refuses to make any forecasts, but to a certain extent so does the Sudanese Government which is anxious not to hamper the painstaking efforts undertaken towards establishing agriculture.

In actual fact, different contradictory assessments are circulating in Khartoum, differing according to where they originate. To simplify matters extremely one can accept on the one hand an estimated production figure of 15,000 barrels/day--half of current consumption--as the most realistic figure for 1983, but also an anticipated amount of 150,000 barrels/day of reserves as the hypothetical profit basis which motivated the recent rushing in of oil companies.

The World Bank, Chevron--a subsidiary of Standard Oil of California--, and the Sudanese Government will be financing the main part of the Kostî refinery the estimated cost of which, including the 550 km of oil pipeline, will be \$300 million. These financial negotiations should rapidly be coming now to a successful conclusion which will permit the refinery--25,000 barrels/day--to be linked up to the three Abu Jabirah, Unity and Sharif fields which are some 550 km away and are being worked by Chevron.

Chevron discovered the fields located around Unity and should rapidly be activating them while continuing exploration over areas which exceed 277,000 square km in the south-central part of the country. Chevron will also be active in transportation and refining. A number of other American and international companies (Texas Eastern, Union Texas, Phillips, Agip, Transpacific, Eastern Petroleum and Burma Oil) have obtained permits and started up operations over nearly the entire territory of Sudan, including the Red Sea.

Regarding French companies let us recall that the CFP [French Petroleum Company] Group is involved in certain transport and distribution sector activities (renovation of the Port Sudan-Khartoum oil pipeline and Total service station network) and since 1980 has started off on a prospecting program in Sudan on land and sea

10
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

in association with International Energy Development Corporation and its official Sudanese partner, the Public Petroleum Corporation. Under permit A Total is carrying out operations; a first well has been drilled in the Red Sea and a second drilling operation is anticipated for autumn 1981. The drilling will be done 130 meters deep from the Pelican, a dynamic positioning ship. Under permits B and C, 210,000 square km covered by permit which are located in the southern part of Sudan (interior basin) are to be blanketed by seismic, gravity, and magnetic field measurement operations; Total is carrying out operations under permits B and C as well.

Elf Aquitaine, a late arrival, will probably negotiate an association contract with an American group.

COPYRIGHT: Rene Moreux et Cie Paris 1981.

9631
CSO: 4519/47

FOR OFFICIAL USE ONLY

SUDAN

BRIEFS

INVESTMENT PROJECTS PLANNED--In Khartoum people recall that last year following a change of managing director the Emirates and Sudan Investment Company (ESIC) broke off previously embarked on negotiations by mutual agreement for two sizable projects and it called for international tender offers last October. The consideration of proposals for the first project, setting up a poultry farm in Jebel Aulia near Khartoum, permitted two unspecified but non-French firms to be kept in the running. On the other hand, as of the beginning of May the second project, the construction of a 250-room hotel in Port Sudan, had not been opened up for bids. The ESIC is pursuing two other projects, setting up a bank in Khartoum and forming a company for air transport between Sudan and the Gulf. It seems that the ESIC has obtained an authorization from the Sudanese Ministry of Finance to establish a bank locally and put in only half of the \$20 million capital which is ordinarily required. Talks with the Bank of India are under way to let the latter have 40 percent of the shares in return for paying in \$4 million of the new bank's capital. In addition, the ESIC and Sudan Airways are studying a plan to set up a joint venture for air transport between Sudan, the Gulf, and Saudi Arabia. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865, 7 Aug 81 p 2047] [COPYRIGHT: Rene Moreux et Cie Paris 1981.] 9631

PEANUT PROCESSING PLANT--The British company Gunsan's Sortex has won a contract for supplying equipment for processing peanuts for eating. The equipment is for the factory built by the Sudanese firm Shaikh Mustafa El Amin and Sons in Port Sudan. This contract amounts to about \$4.2 million. The British firm had already supplied similar equipment to the Sudan Oil Seeds Company. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865, 7 Aug 81 p 2047] [COPYRIGHT: Rene Moreux et Cie Paris 1981.] 9631

NEW FERTILIZER PLANT--In El Shajarah the construction of a fertilizer plant, the total cost of which will be \$120 million, has begun. Production should be starting up next year and reach 100,000 tons of urea fairly soon and 200,000 tons later on. At that time Sudanese needs will be met completely. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865, 7 Aug 81 p 2047] [COPYRIGHT: Rene Moreux et Cie Paris 1981.] 9631

RECORD SORGHUM HARVEST--The Sudanese sorghum harvest for 1981 should reach a record level of 2.8 million tons, which is an increase of 55 percent compared to last year. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1865, 7 Aug 81 p 2047] [COPYRIGHT: Rene Moreux et Cie Paris 1981.] 9631

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

COTTON FOR MEDICAL PURPOSES--The French economic expansion offices in Khartoum have informed the CFCE [Council of Commercial Federations of Europe] of a request coming from a Sudanese investor Doctor Gabbani, who wants to set up a factory to make cotton for medical purposes and sanitary napkins, to consist of: 1) a facility for absorbent cotton ready to begin production with a production capacity of 400 kilograms of cotton an hour (3000 tons a year), and 2) a unit for producing sanitary napkins and compress pads for hospitals. (Initial capital: 2 million Saudi riyals). The plants would be financed by a Saudi group and a Sudanese group. French companies interested in these projects can obtain any additional information at CFCE/SIPF/1/4175; telephone 505-33-33. [Text] [Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1867, 21 Aug 81 p 2157] [COPYRIGHT: Rene Moreux et Cie Paris 1981.] 9631

CSO: 4519/47

13
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

UNITED ARAB EMIRATES

LATEST FIVE-YEAR PLAN DISCUSSED

Paris AL-WATAN AL-'ARABI in Arabic No 231, 17-23 Jul 81 pp 52, 53

/Article: "Economic Growth Continues But Problems of Inflation, Foreign Labor, and Duplication of Projects Cause Concern; United Arab Emirates: \$50 Billion To Finance Development Plan"/

/Text/ As the movement toward unification and merger in the UAE gains momentum, the burdens imposed on the general budget and the new 5-year plan (1980-1981) are increasing. The goal is to eliminate the chaotic planning and duplication of projects which marked the 1970's and check inflation and the influx of foreign labor in the 1980's.

The UAE looks toward its future with a mixture of hope and wariness--hope in the ability to sustain its economic expansion and growth and anxiety over an influx of foreign labor which has been so sizeable that UAE citizens now make up only one-quarter of the population.

Hope in the ability to control the economy and strengthen the process of merger and coordination among the emirates had revived after Abu Dhabi and Dubai--the foremost and wealthiest of the emirates--agreed to allocate half of their incomes to the federal budget. This development is helping considerably to steer the UAE away from the chaotic planning and duplication of projects which characterized the economic expansion of the 1970's.

Commenting on this optimism, reports of the Central Bank point to the potential for increasing oil revenues and expanding industrial investment. However, they also warn against growth in imports and rising inflation rates resulting from instability in world markets.

At this point, it might be helpful to record some general impressions about the future foreseen for the UAE's economy:

--It is a certainty that the UAE will continue to rely on oil as a source of income and economic growth. For this reason, there is a clear movement in the state toward gaining control over oil operations. The state presently owns 60 percent of the domestic production companies and the foreign production companies (American, Dutch, British, and Japanese). It suspects that the foreign companies are seeking to exploit the oil fields to the greatest extent possible without directing much attention to oil exploration operations.

11

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

--Economic growth is expected to continue in the first half of the 1980's. The growth rate reached 7 percent in the period from 1976 to 1980.

In the judgment of officials, this growth is based on two factors. These are continued economic stability and the continued influx of oil revenues. Oil revenues are estimated at \$18 billion for this year as opposed to around \$20 billion last year and \$12.5 billion in 1979.

--The growth of imports is causing concern. The figures indicate that this growth is not so much in the volume of goods, materials, and equipment as in the prices of these items, with inflation playing its tragic role.

The value of imports rose from \$7.22 billion in 1979 to \$8.71 billion in 1980. This figure is expected to reach \$10 billion this year.

--There is a movement toward diversification of income sources through the establishment of a tremendous industrial base. The fact is that industry is seen as a problem. On the one hand, it reduces dependence on importation and provides opportunities to invest oil revenues domestically. However, it also creates problems and difficulties such as the labor crunch, which requires that tremendous numbers of foreign workers be accepted along with the serious negative effects of this immigration on the Arab identity of the society.

In addition, the UAE does not own any industrial raw materials with the exception of oil and gas. Moreover, domestic markets are not available. This raises the question, What will be the future of, for example, the petrochemical industries after the depletion of these two raw materials?

Based on this consideration, some individuals call for the reduction of oil production and the continued investment of the surplus from past revenues in foreign countries rather than in domestic industrial expansion.

In spite of these objections, industry continues to grow, attracting more of the private sector day by day. The volume of loans from commercial banks to the private industrial sector rose from 4.8 percent in 1978 to 6.7 percent in 1980.

The 5-year plan (1981-1985) aims at raising industry's share of the national income. This share was 5.5 percent under the previous plan (1976-1980).

Abu Dhabi is building itself a huge industrial base in the area of al-Ruways, which is gradually being transformed into a true industrial city. The industries there include a new oil refinery whose refining capacity will soon be increased from 120,000 to 300,000 barrels per day, a \$2-billion gas liquefaction complex, and a \$200-million fertilizer complex.

As for the Emirate of Dubai, it has established a tremendous industrial base in the Jabal 'Ali area, including a \$1.4-billion aluminum complex. The emirate has also constructed a huge port and a dry dock which is not yet in use. It is expected that the dry dock will be turned over to OAPEC.

FOR OFFICIAL USE ONLY

However, the industrial projects in the emirates suffer from duplication and lack of coordination. Thus, identical or nonprofitable industries have been established in some cases. The steel plant is the best recent example of this.

The private sector is showing increasing interest in industrial projects. However, the greatest interest is still directed toward the commercial field due to a quick return on investments and easier work in this area.

--Greater attention will be focused on the control of financial and investment policies. This has been demonstrated by the establishment of the Central Bank and the reorganization of the banking sector. Other indications are the curb on the opening of foreign bank branches, the efforts to stabilize the dirham, and the attempts to fight inflation, which is running at an estimated 20 percent per year.

--The inflation in the budget figures reflects the coordination of the move toward federation. The budget reached the \$7-billion mark in the current fiscal year, which represents a 60 percent increase over the 1980 level. Some \$500 million has been allocated to subsidize basic provisions and consumer goods for the benefit of low-income citizens. The country has witnessed strikes by employees protesting the rising cost of living.

--The expansion of the public industrial sector and the intensification of the trend toward federalism impose additional burdens on the government administration sector, demanding that this sector exhibit greater efficiency. However, the chief obstacle remains the powers wielded by the local administrative organizations within each emirate.

Features of the New 5-Year Development Plan

The negative effects of the lack of planning or the chaotic nature of planning in the past have now begun to emerge through the duplication or multiplicity of projects, which far exceed the need. Such projects include airports, ports, hotels, banks, and even radio and television stations.

The aim of the new 5-year plan (1981-1985) is to endeavor to achieve the greatest possible coordination among the similar industrial projects that have been established in the emirates while allowing for continued economic growth but without any increase in foreign manpower.

The manpower problem deserves individual attention in view of its magnitude and the multiplicity of views surrounding it. Here it can be said in short that officials and planning experts attach great importance to programs aimed at training and qualifying citizens in order to limit the importation of foreign labor. They also favor putting pressure on the sectors that require large numbers of foreign workers, such as the construction sector.

However, powerful businessmen have in the past opposed and continue to oppose any move to limit the importation of labor because they feel that such a move would limit future economic expansion and growth.

FOR OFFICIAL USE ONLY

The allocations of the new 5-year plan--which has not yet been announced officially--are estimated at \$50 billion in contrast to the \$38 billion allocated in the previous plan. The private sector will bear about one-fifth of the costs of the plan, with expected private-sector investments of \$8 billion.

It is expected that between \$10 and 14 billion will be spent on oil exploration operations, gas liquefaction and exploitation, and expansion of the petrochemical industry. Non-petroleum industries are expected to grow at an annual rate of 18 percent.

Industrial manpower will increase since plants will add 25,000 new workers. On the other hand, the number of workers in the construction sector will decrease by around 50,000 workers. Most of these will be Asian workers who will return to their countries.

Particular importance will be given to agriculture and food security. Huge food depositories will be built to meet the country's needs during unexpected international crises.

Attention will continue to be focused on the services sector. Health care allocations will increase at a rate of 50 percent as will education services. Some 36,000 housing units will be constructed and each citizen will be entitled to one or two dwellings.

The plan will address the urgent need to narrow the differences in wealth and income between rich citizens and poor citizens in the emirates. It will attempt to do this by working to raise the efficiency and technical and productive competence of the citizens of the northern emirates and by endeavoring to redistribute investments and establish factories in the non-oil emirates.

Planning at the level of the Emirate of Abu Dhabi in particular aims at meeting the demands imposed by the expansion of the capital during the coming 2 decades. The population of the capital is expected to reach 1 million by the end of the century.

Local officials in Abu Dhabi intend to continue with landfill operations along the ocean in order to confront the demands of building expansion. The city includes 400,000 dwellings, of which 300,000 are located on the main island. Population and building expansion will also be encouraged on the islands of al-Sa'diyat and al-Hadriyat.

In addition, the extension of the island at the beginning of the highway to the emirate of Dubai will be transformed into a beautiful suburb characterized by distinctive streets, villas, gardens, and hotels.

COPYRIGHT: 1981 AL-WATAN AL-'ARABI

8591

CSO: 4304/90

END